

LIPPINCOTT

Nexperiment™: Optimizing Online Performance

The Context - the Age of Marketing Experimentation

Experimentation has always been an important marketing tool. Typically applied to optimizing pricing, retail store layout, value propositions, or marketing tactics, it has been highly effective in delivering enhanced business results. Yet historically, experimentation has been highly difficult and excruciatingly slow - sometimes taking months to yield results.

The Internet has changed all that. No marketing medium in business history has been as well suited to

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experimentation than e-commerce. Increasing digitization of information widens the scope of testing to more elements of the marketing process. Experimentation cycles shrink from months to days or weeks. Marketing stimuli, prices, and offers can be optimized quickly.

The challenge is to identify the key drivers of customer behavior that will translate into increased revenues and profit. These drivers can be found throughout what we call the "Customer Stimulus-Response Chain." On the Internet, this chain is complex, involving emails, banner advertising, promotion, pricing, and the layout of websites themselves.

To date, e-commerce marketers have relied upon "data mining" techniques, such as collaborative filtering, to improve business results. While useful, these approaches are backward-looking, relying entirely on limited variability in what has been offered to customers in the past.

And for e-commerce companies trying to satisfy newly profit-focused investors, time is of the essence. Experimentation, and real time test and learn marketing, can rapidly transform potential into real economic results.

What is Nexperiment?

Nexperiment is radical, discontinuous advance for e-business marketers. It harnesses the power of experimental methods to "test and learn" how to increase customer response in e-commerce. Capturing causality rather than simple correlation, it allows you to test how customers will react to your offers, prices, promotions, advertising—yielding **prediction** rather than **post mortem**.

Value proposition creation with Nexperiment consists of three steps:

- **Testing**, through careful experimental design, many elements along multiple dimensions of the Customer Stimulus-Response Chain simultaneously (e.g. product offerings, pricing, marketing communications, Web site designs, promotional offers, and more).
- **Modeling** at a detailed level what combinations are most effective for **actual customer response**
- **Accelerating** profit growth by rapidly implementing only the optimal combination of variables tested

Nexperiment evaluates hundreds or thousands of combinations of marketing stimuli in an efficient test environment, lowering your risk and raising your profitability when the optimal offers goes "live".

While leveraging your existing investments in CRM infrastructure, Nexperiment can yield up to 400% increase in site visitation, and over 100% improvement in lifetime customer value over CRM solutions alone.